

MEMORANDUM FOR: Assistant Chief of Staff for
Intelligence
Department of the Army

Mr. Colby suggested that I send you the attached material on CIA's Military Economic Advisory Panel.

As a first stage, the Panel concentrated on the work done solely in CIA. The members of the Panel were, however, broadly exposed to all the literature--including the criticisms of CIA's work--in the field. During the coming year they will have the opportunity to speak to consumers and other intelligence producers in their sphere of interest.

Signed 14 August 1974
(DATE)

Edward W. Proctor

Deputy Director for Intelligence

FORM NO. 101 REPLACES FORM 10-101
1 AUG 54 WHICH MAY BE USED.

(47)

MEMORANDUM FOR: Rear Admiral E. F. Rectanus
Director of Naval Intelligence
Department of the Navy

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Edward W. Proctor

Deputy Director for Intelligence

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(47)

MEMORANDUM FOR: Special Assistant to the
Approved For Release 2006/03/10 : CIA-RDP80B01495R000700110020-4
Security
Main Treasury

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14 August 1974

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Signed
Edward W. Proctor
Deputy Director for Intelligence

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(47)

MEMORANDUM FOR: Major General G. J. Keegan
Assistant Chief of Staff,
Intelligence
Department of the Air Force

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(47)

Mr. Leo Cherne

PFIAB

Room 340

Old Executive Office Building

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Signed

14 August 1974

Edward W. Proctor (DATE)

Deputy Director for Intelligence

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(47)

Mr. William Hyland

MEMORANDUM FOR: Director, Bureau of
Intelligence and Research
Department of State

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7 AUG 1974

Executive Registry

74-4508

MEMORANDUM FOR: Director of Central Intelligence
FROM : Deputy Director for Intelligence
SUBJECT : First Annual Report of the Military
Economic Advisory Panel

1. As you know, last year I formed a panel of consultants to advise me on the adequacy, validity and usefulness of our military economic analysis work and on ways to improve it. The membership of the Panel includes:

25X1

2. A copy of the first report of the Panel is attached. It is a sound document with suggestions and recommendations that are well considered and worthy of our attention. The report is generally commendatory of our work, but we by no means get off scot-free. I will highlight the principal points made and comment briefly on our plans to do work along the lines suggested. You may wish to consult the full report for greater detail.

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3. From my point of view, the principal conclusions in the report are that we should continue to focus on aggregate money values as an overall measure of the Soviet military effort and its major components and that the direct costing method we have been using is basically sound. These conclusions came after a thorough review of various alternative approaches and discussions of the kinds of problems we have with some of our consumers. In this connection the Panel had three recommendations:

- Technical complexity: The Panel recommended that a comprehensive and authoritative manual be prepared to fully document the complex procedures of direct costing and to explain the ways the results can and cannot be used. The basic computer program documentation can probably be completed in FY-1975, but the full data base documentation cannot be achieved until FY-1976.
- Problems of effectively communicating the results of the analysis: Several suggestions addressed the problem of how to improve consumer understanding and acceptance of military economic measures. One was to broaden the work by including--in addition to annual military budget flows--measures of annual value of inventory of military stocks. Another was to commission a theoretical study by an external research contractor to examine the conceptual issues in measuring and comparing defense efforts and burdens. Both these suggestions are good ones, and I will have them pursued on a priority basis.
- Finally, the Panel stressed the need for greater openness of communications. There were mixed views on how far to carry this openness, but as a general principal we are encouraged to relax existing barriers if at all possible. In your briefing of Senator Proxmire, and his subsequent issuance of the unclassified portion of the hearings, you have already taken steps to accommodate the Panel's suggestions. I will give further thought to the pros and cons of freer use of our data with the Proxmire Subcommittee and others and report to you at a later date.

4. In commenting on our work on the Soviet economy in general, the Panel described OER as "an important national resource whose work makes a major contribution to Western appreciation of Soviet reality." The Panel emphasized the need to continue our annual estimates of Soviet national income and product (GNP) and expressed some concern about what it viewed as a "disposition to reduce the effort devoted to this topic." Although the Panel's views on this matter might reflect some parochial bias of academic economists, I share their concern and intend to do what I can to preserve this capability against the erosive effects of tight personnel ceilings and the demands for more work on the economies of the Free World.

5. I met with the Panel in late July to discuss these and other aspects of their report. I will ask them to meet again later this year to review the steps being taken to meet their suggestions and to provide additional guidance to the Offices of Economic Research and Strategic Research on their research programs for FY-1975. I view the Panel as a continuing body which will meet one or more times a year to provide independent appraisals of our work. The present members have agreed to continue to serve to the extent that their other professional duties permit. Furthermore, in a private session with the members of the Panel, the Chairman strongly recommended that John Paisley--who recently retired--be asked to become a member of the group. I am pleased to report that John has accepted my invitation to do so.


EDWARD W. PROCTOR

Deputy Director for Intelligence

Attachment:

First Report of the
Military Economic
Advisory Panel

SUBJECT: First Annual Report of the Military
Economic Advisory Panel

Distribution:

Orig. - Addressee w/att.
1 - ER w/att.
1 - Mr. Carver w/att.
1 - Gen. Graham w/att.
1 - Adm. de Poix w/att.
1 - Mr. Schlesinger w/att.
1 - D/OER w/att.
2 - DDI
2 - D/OSR
1 - SR/PA

25X1

OD/OSR: (6 August 1974)